



## Cargojet Stock Soars Higher, Is it Still a Buy?

### Description

**Cargojet** ([TSX:CJT](#)) is back in the news for Motley Fool investors after the cargo airline [announced](#) a long-term partnership with DHL Network Operations. Shares jumped over 10% at the announcement, and kept climbing. Last week alone, shares of Cargojet stock ended the week up 12%, after climbing 20% mid-week.

### What happened

The deal is the best to come the company's way since **Amazon's** similar deal back in 2019. Under the DHL deal, Cargojet will be the DHL's air-transportation service for its global network over the next five years. An option to renew for two years will come up after that. Furthermore, Cargojet currently has 12 freighters assigned to DHL, and that will increase by five. That will eventually include the company's new long-range cargo aircraft.

This falls directly in line with Cargojet's global expansion plans. Cargojet remains a fairly North American company, though it's been adding more service destinations over the last few years. This especially came into play with the pandemic causing an increase in e-commerce demand.

### So what

This deal with DHL means Cargojet will now fly through Europe, Latin America, and into Asia. It will boost company earnings, and will diversify its revenue. Furthermore, DHL gets a 9.5% stake in the company over the next seven years. The only other company with that high a stake right now is Amazon.

This sets Cargojet up for long-term growth. And more good news could be on the way in the next year or so. Amazon's deal is up for renewal in 2023. So we could see an increase in the company's stake, on top of the DHL deal.

All this sounds like great news. But after such a share increase, is the stock still a buy?

## What analysts say

Several analysts came out with opinions on the Cargojet-DHL deal on March 30. And there was a unanimous 'buy' rating given to the stock. Furthermore, many increased their target prices well into the \$200 range. As of writing, it now has a consensus target price of \$242 by analysts.

Of course, the main reason analysts bumped their target prices is due to the company's locked-in revenue with DHL. A seven-year deal is also pretty unheard of in this line of business — the standard is usually at about three to five years. This shows DHL's confidence in the cargo demand it expects going forward, and therefore allows Motley Fool investors to feel confident in Cargojet's revenue.

Furthermore, the deal provides clarity to investors in regards to the company's expansion plans, analysts say. It's no longer that the company is increasing spend on destinations in the *hopes* of future business. That business is now here, and rising. There is far less risk, and far more reward for this company's future.

## Foolish takeaway

When it comes to Cargojet stock, even at these levels analysts give it a 'buy' and 'outperform' rating pretty much across the board. It remains at a fairly valuable 19.35 times earnings, offers a 0.57% dividend yield that may increase in the future, and [solid growth](#).

This makes the company a solid growth stock for long-term Motley Fool investors seeking a change to see shares jump, and then soar steadily upward.

Shares of Cargojet stock were up 1% on Monday, and up 10.5% year to date.

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